

## Message Text

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42

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 COME-00 TRSE-00 SP-02 CIAE-00

INR-07 NSAE-00 L-02 FRB-03 XMB-02 IGA-01 /031 W

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R 010958Z APR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1805

C O N F I D E N T I A L 4012

E.O. 11652: GDS

TAGS: EFIN, RP

SUBJECT: METROPOLITAN BANK AGENCY APPLICATION

REF: A. STATE 262714

B. MANILA 14326

C. STATE 27565

D. STATE 33367

1. EMBASSY REGRETS DELAY IN REPLYING TO DEPARTMENT REQUEST FOR ADDITIONAL INFORMATION ON ACTIVITIES OF GREGORIO LICAROS, JR., A DIRECTOR OF METROPOLITAN BANK. DELAY WAS OCCASIONED BY UNSUCCESSFUL EFFORT LOCATE OR DUPLICATE REPORT EARLIER RECEIVED BY EMBASSY OF IMPROPER ACTIVITIES BY LICAROS, SON OF GOVERNOR OF PHILIPPINE CENTRAL BANK.

2. EMBASSY HAS NO SPECIFIC INFORMATION OF MISCONDUCT BY LICAROS, JR., IN CONNECTION WITH CONTINENTAL BANK CLOSING. PHILIPPINE PUBLIC RECORD CONTAINS NO ALLEGATION OF MISCONDUCT OF ANY KIND BY HIM. METROPOLITAN IS UNDERSTOOD TO HAVE PLACED FUNDS WITH CONTINENTAL AND TO HAVE SUFFERED FROM LATTER'S CLOSING BUT IT WOULD BE HIGHLY UNUSUAL FOR DIRECTOR TO HAVE RESPONSIBILITY FOR DAY-TO-DAY PLACEMENT OF FUNDS. EMBASSY WOULD APPRECIATE RECEIPT OF ANY INFORMATION POSSESSED BY DEPARTMENT WHICH MIGHT ASSIST EMBASSY TO SUBSTANTIATE RUMOR REFERRED TO IN REFERENCES C AND D.

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3. PRIVATE CONVERSATIONS WITH BUSINESS FIGURES INDICATE LICAROS, JR., DOES NOT HAVE SAVORY BUSINESS REPUTATION IN MANILA. STORIES ARE SHORT ON SPECIFICS BUT CONSISTENT IN CONVEYING IMPRESSION OF AGGRESSIVE USE OF NAME AND CONNECTIONS IN PURSUIT OF SELF-ENRICHMENT SCHEMES. WHETHER SOBERING EFFECT OF CONTINENTAL BANK EPISODE ON LOCAL BANKING COMMUNITY HAS AFFECTED LICAROS, JR., EMBASSY IS UNABLE TO SAY. EMBASSY EFFORTS OBTAIN MORE SPECIFIC INFORMATION ON LICAROS, JR.'S CURRENT OR PAST ACTIVITIES MET WITH MORE GUARDED RESPONSES THAN IS USUAL IN PHILIPPINES. RESTRAINT LIKELY OCCASIONED BY REFERENCE TO LICAROS, SR. LATTER ENJOYS LOYALTY FROM HIS SUBORDINATES, EXTENSIVE POWER OVER LOCAL FINANCIAL COMMUNITY AND, DESPITE ALLEGATIONS OF PROFITING FROM GOVERNMENT CONSTRUCTION PROJECTS WITH WHICH HE HAS BEEN ASSOCIATED, HE ENJOYS GENERAL RESPECT OF PHILIPPINE ESTABLISHMENT.

4. EMBASSY CONTINUES REGARD METROPOLITAN BANK UNDER FORMER CENTRAL BANK GOVERNOR CASTILLO AS COMPETENTLY AND HONESTLY RUN INSTITUTION WHICH COULD BE EXPECTED FULFILL ALL ITS OBLIGATIONS UNDER U.S. BANKING LAWS AND REGULATIONS. HOWEVER, EMBASSY INFORMATION ON LICAROS, JR. INSUFFICIENT TO SUBSTANTIATE OR TO DISPEL RUMORS OF MISCONDUCT.

5. SUBSTANTIAL ROLE OF U.S. BANKS IN PHILIPPINE BANKING SYSTEM GIVES STATE OF CALIFORNIA DECISION ON METROPOLITAN APPLICATION GREAT SIGNIFICANCE FOR U.S. ECONOMIC INTERESTS. BRANCHES OF U.S. BANKS IN PHILIPPINES, MINORITY INTERESTS U.S. BANKS HOLD IN PHILIPPINE COMMERCIAL BANKS AND U.S. INTERESTS IN OTHER PHILIPPINE FINANCIAL INSTITUTIONS INVOLVE CONSIDERABLE INVESTMENT AND HAVE ATTRACTIVE PROFIT POTENTIAL. PHILIPPINE MONETARY AUTHORITIES COULD BE EXPECTED TO REACT SHARPLY TO ANY DECISION TO RESTRICT U.S. ACTIVITIES OF PHILIPPINES BANKS UNLESS SUCH RESTRICTIONS COULD BE SATISFACTORILY EXPLAINED TO THEM. EMBASSY FEARS THAT INFORMATION PRESENTLY AVAILABLE ON LICAROS, JR., WOULD NOT PROVIDE BASIS FOR SATISFACTORY EXPLANATION TO PHILIPPINE AUTHORITIES.

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## Message Attributes

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**Disposition Approved on Date:**  
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**Subject:** METROPOLITAN BANK AGENCY APPLICATION  
**TAGS:** EFIN, RP, (LICAROS, GREGORIO)  
**To:** STATE  
**Type:** TE  
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